

# Which way forward for the nonprofit world?

## Short Scenarios for Developing and Testing Strategies



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## Which way forward for the nonprofit world?

Since it is impossible to write the future of the nonprofit world from today's vantage point, we have to prepare for several possible outcomes. We can use scenarios to develop a set of possible short term futures. This helps philanthropic and nonprofit leaders shape and test strategy and to prepare today for eventualities or possibilities. In this way, we are rehearsing the future so we can still catalyze our vision even when the route to it looks especially difficult.

The list of uncertainties that nonprofit leaders are currently facing is long. Many of these would be on every list:

1. How will a long recession impact grassroots groups and fledgling nonprofits?
2. How will a deep recession impact foundations and other civic funders?
3. What will an era of muscular government do to the field of philanthropy? How long will the progressive phase last and will it be truly transformational?
4. How will the large, diverse network of Obama supporters and activists survive the recession? Will young progressives maintain the pitch of their engagement in social and environmental change?
5. Will the credit crunch and economic uncertainty create a new era of caution or community? Will leaders turn inward and get "back to basics," or "back to the land," and increase competition for funds and support? Or will they also shape a future by taking care of others and collaborating? Will the social safety net be a shared responsibility or will communities be left to fend for themselves?
6. Is the current recession another boom and bust cycle or is it a sign of deeper shifts in the foundation of the real economy as well as in the societal fabric?
7. Will gas and other fuels, transportation, and food prices continue to oscillate? How will organizations plan for the turbulence?
8. Will the shift to energy savings and environmental awareness that is occurring in the private sector be taken seriously in the third sector? Will the sector adopt a "green" perspective or see it as a fad only for the privileged?

We can consolidate these uncertainties into group of dynamic forces. We think that the short-term future of the nonprofit world will be shaped by the way leaders at all levels are responding to these forces:

Length and impact of the recession on the economy

Resilience of the nonprofit sector—staff, board and volunteers, networks

Levels of innovation and collaboration in philanthropy

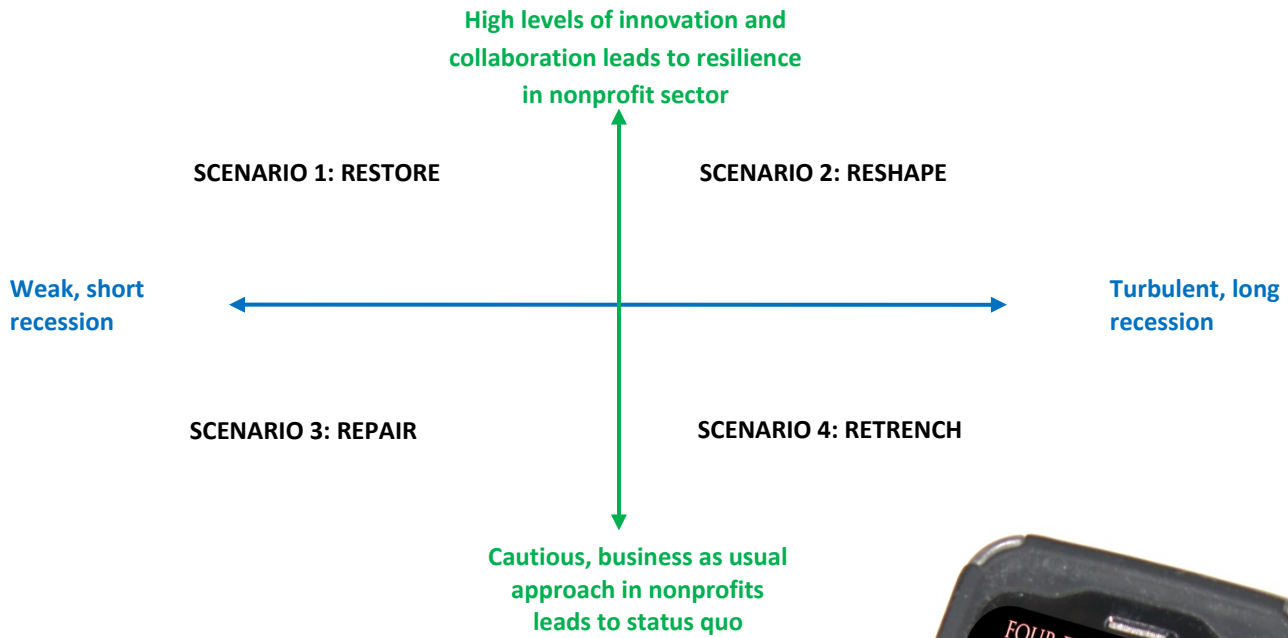
Level of resources for addressing public problems

Response to energy and environmental change

Adaptation to technology

Response to demographic change and diversity

These forces provide a structure for generating four different future approaches or scenarios. The top two forces are simultaneously the most critical and most uncertain. **These could be the key drivers.** They are laid out below on opposite axes to structure four different possibilities and they framed on a continuum to include a range of strong and weak levels. Each scenario or quadrant has a title to give you an instant and simple answer to the question: “which way forward for the nonprofit world?” Short capsules of these scenarios are included below:



## SCENARIO 1: RESTORE

In Scenario One, 2015 marked the blessings of positive convergence where a swift and short recession coincided with a new progressive presidential administration. Widespread public concern over the negative impacts of markets, work force cutbacks, unaffordable health care and stagnating education stimulated successful dialog about equity, high expectations and new solutions for energy, health care, and youth opportunity. Philanthropy and government explored new links to focus joint innovation on intractable problems. Philanthropic resources, constrained for 2009, returned to high levels by 2010 and provided a steady base and a new appetite for innovations that improved the common good.

Veteran executive leadership and energetic staff across the nonprofit world were able to create resiliency for many organizations.

Large capital and endowment campaigns were slowed but recaptured pace and energy by mid-2010. The renewed focus on America generated new shared commitment to volunteer, contribute, and engage the most diverse allies. New shifts to energy efficiency and “green” strategies became popular. There was less pain but less fundamental change in this world.

## SCENARIO 2: RESHAPE

In Scenario Two, the new century’s first big recession provoked continuous economic doldrums from 2008-2012. The federal government invested trillions between ’08 and 2011 to reignite the economy but the recovery was sluggish. Rising federal deficits took a bite from federal and state funds. Government funds had rebuilt a large percentage of the transportation infrastructure, schools, and community facilities but there were few resources for operating programs and direct service, so communities and families suffered. Corporations too had to rebuild and individuals struggled to save so many gifts were delayed or cancelled entirely. Philanthropic resources at the largest private foundations eroded to the lowest levels in decades. But by 2012, new alliances, led by community foundations and social entrepreneurs, emerged to reshape a collective agenda in the US around educational excellence and new energy. This helped lead a new wave of optimism and resilience that piggy-backed on the second Obama administration. Young leaders emerged, bringing facility with technology and communication that helped reshape the 3<sup>rd</sup> sector. Collaboration and partnerships led to social innovation and high levels of conservation and ecological concern.

## SCENARIO 3: REPAIR

In Scenario Three, economic recovery from the 2008 recession was slow, continuing nagging levels of unemployment and insecurity dampened communities. Many nonprofit organizations struggled but most survived by patching programs.

Foundation assets had initially been reduced by 30% and were slow to recover their previous strong value. Corporate charitable giving slowed too except for mammoth global companies. By 2011, most giving levels improved but did not regain their 2007 levels. Individuals were buffeted by market turmoil and layoffs and emerged cautious, reassessing retirement plans and contributions and working longer even at lower wages. Government stimulus and bailouts lifted the mood and public sector rebounded in most states; however, small firms and nonprofits tread water, consolidated and recycled programs, people, and ideas.

Little structural change occurred in the foundation world.

People maintained existing networks and habits of thought; risk avoidance emerged as the new norm in the sector.

A spirit of watchful, pragmatism became commonplace, with an increased focus on impact measurement and sustainability.

Diversity was still limited by the persistence of the old guard.

## SCENARIO 4: RETRENCH

In Scenario Four, 2015 was the first break from a sputtering economy and unusually problematic unemployment levels. The housing, auto, and retail sectors shook off the gloom and depression in 2011 but access to credit was still uneven for businesses and lending was still conservative. This was a tough downturn for state and federal governments as legislators worked through fiscal deficits and constraints. By 2012, global issues like energy and commodity prices and increasing geopolitical tension in the Middle East and Africa co-opted US recovery attention and government resources. The philanthropic community was recuperating from deep asset losses and many foundations and corporate marketing departments consolidated staff and leadership positions. There was a survival mindset and retrenchment in the Third Sector. Leaders were forced to limit investments in technology and learning but most began seeing signs of improvement after the 2012 election cycle.

Four hard years of economic stress had at least stimulated a new openness to collaboration and change, a sign that young people could be leaders in the sector. Slowly, aging professionals retired from philanthropy and from institutions, many exhausted from fundraising and management fatigue.

## Scanning the Implications of the Scenarios

Though these are very quick and general sets of possibilities, they are grounded in the logic that the next year or two appears likely to be quite challenging for everyone in the nonprofit sector. These scenarios can be good strategic exercises for leaders to reconsider a wider set of possible futures and get ahead of them wherever possible. Start by testing out the implications for all four scenarios:

- How well do our current approaches and strategic assumptions hold up in each scenario? Which scenario (s) will support our current vision and which ones would be threatening?
- How will our group, agency, institution or foundation maintain our comparative advantage in each future?
- How will competitors and allies be able to adapt in each case? Are we prepared if they don't survive?
- How could we cooperate in new ways to shape our goals in all the scenarios? Are there a few strategies that work well for the people we serve in most of the scenarios?
- If our organization can sustain or recreate itself through innovation, what will it need to do in 2009 to make this happen?

### We can help

If your organization needs help in refining a set of more nuanced futures, in testing your current operating assumptions against uncertainty, building a shared vision and roadmap for the next few years, or communicating your vision and strategies to a wider set of audiences, contact KHA at [kenhubbell@kenhubbell.com](mailto:kenhubbell@kenhubbell.com).

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